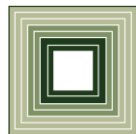


NC's Budgeting Practices, Process and Policies (aka Budgeting 101)

February 13, 2013



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- NC Budget Process
- Budget Types
- Fund Types
- Budget Policy



NC Budget Process

- Preparation
- Legislative Consideration & Enactment
- Execution, Administration & Management

Continuation or Base Budget

- The portion of the Governor's Recommended Budget that outlines costs required to provide the same level of services in the next biennium as is provided in the current FY
- Typically includes:
 - Mandated enrollment increases (education, Medicaid, prisons)
 - Annualizations
 - Operating reserves
 - Adjustments to non-recurring items
 - Funds to replace worn out equipment, vehicles
 - Inflationary adjustments (fuel, medical, utilities, leases, etc.)

Preparation Schedule

- OSBM is responsible for preparing the Governor's Budget that is recommended to the General Assembly.
- For the long session, budget preparation starts appx one year in advance.
 - July/August 2012 - OSBM issues budget instructions
 - Sept/Oct 2012 - Agencies prepare required worksheets, supporting documentation & determine departmental priorities
 - Nov/Dec 2012 – OSBM negotiate with agencies, finalize recommendations and meet with Governor
 - Jan/Feb 2013 – Budget finalized & prepared for printing
 - February 2013 – GA reconvenes to pass FY 14 and 15 budgets
 - Feb/May 2013 – Appropriations subcommittee briefings, deliberations and recommendations
 - June 2013 - GA enacts a biennial budget

Expansion Budget

- Outlines costs required to:
 - Expand Existing programs
 - Start-up new programs
 - Provide salary and benefits increases for state employees, local school employees and community college staff
 - Continue programs previously operated with non-state funds
 - Provide for one-time, major equipment purchases (new, not replacement)

Capital Budget

- Outlines costs required to:
 - Construct new facilities
 - Repair and renovate existing facilities
 - Purchase land

Continuation or Base Budget

- What it looks like
 - Line-item detail
 - Actual expenditures/receipts for FY 2011-12
 - Certified budget for FY 2012-13
 - Authorized budget for FY 2012-13
 - Allowable increase/decreases
 - Continuation budget for FYs 2013-14 & 2014-15

Continuation or Base Budget

BI233 BUDGET PREPARATION SYSTEM
BUDGET PREPARATION WORKSHEET I (DETAIL REQUEST)
FUND DETAIL

AWG
ATTACHMENT 4

3700
13700 Agriculture and Consumer Services - General Fund
1020 Markets

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CODE (1)	DESCRIPTION (2)	2011-2012 ACTUAL (3)	2012-2013 CERTIFIED (4)	2012-2013 AUTHORIZED (5)	2013-2014 INCR/DECR (6)	2013-2014 TOTAL (7)	2014-2015 INCR/DECR (8)	2014-2015 TOTAL (9)
REQUIREMENTS								
53 1211	SPA-REG SALARIES-APPR	3,522,029	3,486,481	3,481,296	0	3,481,296	0	3,481,296
53 1212	SPA-REG SALARIES-RECPT	551,740	585,011	588,844	0	588,844	0	588,844
53 1221	SPA TIME-LIMITED SAL-APP	0	231,720	231,720	-231,720	0	-231,720	0
53 1311	REG(N S) TEMP WAGES-APPR	64,390	136,070	90,349	-25,186	65,163	-25,186	65,163
53 1312	REG(N S) TEMP WAGES-RECP	75,203	29,846	75,567	0	75,567	0	75,567
53 1321	CONTR EMPL PER IRS-APPRO	37,235	34,218	34,218	0	34,218	0	34,218
53 1411	OT PAY - APPROPRIATED	5,822	25,648	25,648	-3,000	22,648	-3,000	22,648
53 1412	OT PAY - RECEIPTS	1,185	2,560	2,560	0	2,560	0	2,560
53 1421	HOLIDAY PAY - APPRO	5,230	5,057	5,057	-1,577	3,480	-1,577	3,480
53 1422	HOLIDAY PAY - RECEIPTS	3,807	1,825	1,825	0	1,825	0	1,825
53 1431	SHIFT PREM PAY - APPRO	7,659	1,262	1,262	0	1,262	0	1,262
53 1432	SHIFT PREM PAY - RECEIPT	13,698	7,300	7,300	0	7,300	0	7,300
53 1461	EPA&SPA-LONGVTY PAY-APPR	65,527	80,484	80,484	-890	79,594	-890	79,594
53 1462	EPA&SPA-LONGVTY PAY-REC	10,756	1,342	1,342	0	1,342	0	1,342
53 1511	SOCIAL SEC CONTRIB-APPRO	273,668	301,306	298,379	-20,072	278,307	-20,072	278,307
53 1512	SOCIAL SEC CONTRIB-RECPT	46,402	48,034	51,830	0	51,830	0	51,830
53 1521	REG RETIRE CONTRIB-APPRO	475,909	529,271	528,347	-26,498	501,849	-26,498	501,849
53 1522	REG RETIRE CONTRIB-RECPT	73,144	83,394	83,795	0	83,795	0	83,795
53 1561	MED INS CONTRIB-APPRO	358,972	410,323	408,092	-34,766	373,326	-34,766	373,326
53 1562	MED INS CONTRIB-RECPTS	78,325	88,370	90,341	0	90,341	0	90,341
53 1576	FLEX SPENDING TRANSACTIO	5,768	0	0	0	0	0	0
53 1625	ST DISABILITY PMT	0	5,687	5,687	0	5,687	0	5,687
53 1627	ST DISABILITY PMT-APP	16,418	0	0	0	0	0	0
53 1631	WRKER COMP-MED PAYMENTS	70,209	13,754	13,754	0	13,754	0	13,754
53 1632	WRKER COMP-TEMP DIS PAYM	26,499	4,544	4,544	0	4,544	0	4,544
53 1664	NONTAX EMPL CELL PHONE	427	0	0	0	0	0	0
TOTAL PERSONAL SERVICES		5,790,022	6,113,507	6,112,241	-343,709	5,768,532	-343,709	5,768,532
53 2110	LEGAL SERVICES	226	0	0	0	0	0	0
53 2133	EMPLOYEE/EMPLOYMENT PHYSIC	329	150	150	-50	100	-50	100
53 2170	ADMIN SERVICES	0	540	540	0	540	0	540
53 2181	WORKSHOP EXP-FOOD SERV	405	0	0	0	0	0	0
53 2182	LAUNDRY SERVICES	75	2,802	2,802	-2,000	802	-2,000	802
53 2184	JANITORIAL SER AGREEMENT	11,629	19,212	19,212	0	19,212	0	19,212
53 2185	WASTE REM/RECY SER AGREE	42,851	67,468	67,468	-7,256	60,212	-7,256	60,212
53 2186	SECURITY SERVICES	541	414	414	0	414	0	414

Governor's Recommended Budget

- Combination of continuation, expansion & reductions
 - Continuation typically represents 96-98% of total recommended budget
 - \$20.3 billion in FY 2013-14 and \$20.4 billion in FY 2014-15
 - Size of expansion depends on size of continuation budget and revenue projections
 - Amount of reductions depends on size of continuation budget and revenue projections
- Presentation of Recommended Budget
 - Typically a single volume with reference to the continuation

General Assembly Deliberations

- Governor presents Recommended Budget
- Joint Subcommittees work on recommendations
- Senate develops budget
- House fails to concur, develops budget
- Conference committee develops budget
- General Assembly enacts a biennial budget

Presentation Outline

- NC Budget Process
- **Budget Types**
- Fund Types
- Budget Policy



Budget Terms: Budget Types

- **Certified Budget**
 - **Statutory Definition:** The budget as enacted by the GA plus
 1. distributions to State agencies from statewide reserves appropriated by the General Assembly,
 2. distributions of reserves appropriated to a specific agency by the General Assembly, and
 3. organizational or budget changes directed by the General Assembly but left to the Director to carry out.
- **What gets added/ How is it changed:**
 - Salary increases, retirement adjustments
 - Management flexibility reserves
 - Reorganizations

Budget Terms: Budget Types

- **Authorized Budget**
 - **Working Definition:** The certified budget with changes authorized by OSBM through authority granted by statute, session law or the State Budget Act
- **What gets added/ How is it changed:**
 - New grants, changes to existing grants, or federal “carryforward”
 - Moving money between funds/programs
 - Budgeting of departmental receipts

Budget Terms: Budget Types

- **Certified budget**
 - The 2012 budget appropriates \$10,000 for Agency Y to buy new 10 computers.
 - *Certified budget = \$10,000*
- **Authorized budget:**
 - Agency Y determines they need 11 computers. They reallocate money from the furniture budget to pay for it.
 - *Authorized Budget = \$11,000*
- **Actual expenditures:**
 - Agency Y got a great deal on computers. The final cost for Agency Y's 11 computers is \$5,500.
 - *Actual Expenditures = \$5,500.*

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Fund Types

- **General Fund**
- **Special Revenue Funds**
- **Enterprise Funds**
- **Internal Service Funds**
- **Trust Funds**
- **Capital Funds**
- **Others – institutional funds, agency funds**

General Fund

- The primary operating fund for most governmental entities
- Used to account for all financial transactions, except those that must be accounted for in another type fund
- Money reverts at end of fiscal year

Special Revenue Funds

- A fund to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose
- Funds do not revert to the General Fund
- Can build cash balances over time
- Cash balances are non-recurring in nature

Special Revenue Funds

- Created by statute:
 - Commercial Leaking Underground Storage Tank Clean-up
- Created by court settlement (de facto):
 - MGP Agreement Funds
- Created for administrative purposes:
 - Ag Cost Share Program
- Created for accounting or reporting purposes:
 - Weatherization

Other Fund Types

- Enterprise Funds
 - Used when a state agency provides goods or services to the general public
 - Examples: State Fair and Farmers' Markets
- Internal Service Funds
 - Used when a state agency provides goods or services to other state agencies
 - Examples: Motor Fleet & Information Technology Services

Other Fund Types

- Trust Funds
 - Used to account for assets held by a state agency as trustee or agency for individuals, private organizations or other governmental units
 - Example: Employee retirement
 - Not the Clean Water Management Trust Fund

Presentation Outline

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NC's Budget Policy

- State Constitution
- Executive Budget Act (Chapter 143C)
- Appropriations Act
- Other Chapters of the General Statute
- State Budget Manual
- Budget Instructions

NC's Budget Policy

State Constitution requires:

- **Preparation:** Governor to prepare and recommend to the General Assembly a comprehensive budget of anticipated revenue and proposed expenditures (Art.III, Sec 5(3))
- **Balanced Budget:** “total expenditures of the State for the fiscal period covered by the budget shall not exceed the total receipts during that fiscal period...” (Art.III, Sec 5(3))
- **Administration:** “The budget as enacted by the General Assembly shall be administered by the Governor” (Sec 5(3))
- **State Treasury:** “No money shall be drawn from the State treasury but in consequence of appropriations made by law” (Art. V, Sec.7)

NC's Budget Policy

- **State Budget Act (Chapter 143C)**
 - Sets out the statutory procedures and requirements for preparing, reviewing, adopting and executing and managing the State's Budget in accordance with the Constitution
 - **Defines Appropriation:** “An enactment by the General Assembly authorizing the withdrawal of money from the State treasury. An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.”
 - **Defines State Funds:** Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.

Budget Policy – Appropriations Bills

Special provisions provide guidance on how to spend money and set budget policy:

- Example: Expanded the purposes for which the Mercury Pollution Prevention Fund could be used to allow for the implementation of recycling programs for products containing mercury, including recycling programs for light bulbs and thermostats.
- Example: Directed the Division of Forest Resources to perform aircraft maintenance using its mechanics for all aircraft of the Division of Marine Fisheries.
- Example: Directed that, beginning fiscal year 2012-2013, no more than \$120,00 in State funds shall be used for the annual salary of any one employee of the non-profits funded through NER.

Budget Policy – Other Statutes

- **Sets Fees:**
 - **G.S. 130A-291.1(e):** “A septage management firm that operates one pumper truck shall pay an annual fee of five hundred fifty dollars (\$550.00) to the Department...”
- **Creates Special Revenue Funds:**
 - **G.S.103A-291.1(e3) :** “The Septage Management Account is established as a nonreverting account within the Department. Fees collected under this section shall be placed in the Septage Management Account and shall be applied only to the costs of the septage management program.”
- **Spends Reversions:**
 - **G.S. 116-30.3:** “Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution...the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation.”

Budget Policy – State Budget Manual

- Prepared by the Office of State Budget and Management (OSBM)
- Used by state agencies in the administration of their budgets
- Provide more detailed budget related guidance to agencies
 - Examples: Use of lapsed salaries, travel reimbursement policies, etc.

Budget Policy –Budget Instructions

- Prepared by the Office of State Budget and Management (OSBM)
- Used by state agencies to prepare their budgets

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